

CORPORATION, SECURITIES AND LAND DEVELOPMENT BUREAU

RELEASE NO. 98-2-S

TO: ALL INTERESTED PARTIES

SUBJECT: Clarification of Paragraph 4. Under Release 98-1-S Regarding Timeshare Developments Offering Rental Services

General Background:

In Release No. 98-1-S issued on April 3, 1998, the Bureau discussed certain factual situations under which a no action position would be taken. There has been some confusion regarding paragraph 4. of the Release pertaining to rental services.

Paragraph 4. was intended to state that if mandatory rental services are being provided by a timeshare sponsor or developer, securities registration will be necessary. If a purchaser of a timeshare interest voluntarily requests the assistance of a timeshare sponsor or developer in connection with the rental of his/her timeshare interest, the no action position would apply (and assuming paragraphs 1.-3. and 5. have been met) and securities registration would not be necessary.

There are also rental arrangements in some timeshare developments whereby timeshare units may be available to affiliated resorts or to members of the general public. In this situation, any timeshare interest that is not reserved by an owner within a certain period of time (sometimes referred to as "Breakage"), may be reserved by the timeshare developer or its affiliate to fulfill reservation requests from the general public. A small portion of the Breakage rental may be received by a timeshare owner. Breakage rentals are generally the last priority behind such categories as scheduled maintenance and waiting lists for timeshare owners.

Action or Interpretation:

The Bureau will not interpret the situation when a timeshare owner requests voluntary rental assistance from a timeshare developer or its affiliates or where a timeshare owner receives a modest Breakage subsidy as constituting an owner's "active management of the enterprise." In these factual cases if paragraphs 1.-3. and 5. of Release No. 98-1-S are met, securities registration will not be necessary.

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Authority:

Act 265 of 1964.

Signed by Julie Croll, Director
Corporation, Securities and Land Development Bureau

Dated: May 22, 1998